

Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 IO-10 ISO-00 EURE-00 CIAE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 CEA-01

NIC-01 SAM-01 (ISO) W

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P R 711551Z MAR 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 2117

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMCONSUL LOURENCO MARQUES

AMCONSUL LUANDA

AMEMBASSY MADRID

AMEMBASSY PARIS

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

C O N F I D E N T I A L LISBON 1475

EO 11652: GDS

TAGS: PINT, ELAB, EFIN, PO

SUBJ: BANK NATIONALIZATION ROUNDUP

REF: LISBON 1423; LISBON 1442

SUMMARY: PORTUGAL'S BANKS REOPENED MARCH 15. MEDIA CLAIMING THAT
PUBLIC IS SHOWING CONTINUED CONFIDENCE IN BANKS. ARRESTED BANKERS
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RELEASED. BANK WORKERS' UNION ACCUSED PPD AND RIGHTIST PARTIES OF RECEIVING IMPROPER CONTRIBUTIONS. END SUMMARY.

1. NEWLY NATIONALIZED BANKS OPENED FOR FIRST DAY OF BUSINESS ON SATURDAY, MAR 15 (NORMAL DAY OF CLOSURE). UP TO DOLLARS \$2,000 REPORTEDLY COULD BE WITHDRAWN WITHOUT REQUIRING JUSTIFICATION. PRESS REPORTED DEPOSITS EXCEEDED WITHDRAWALS IN SOME BANKS, AS MANY PEOPLE BELIEVED THEIR MONEY SAFER IN NATIONALIZED BANKS WHICH THE GOVERNMENT COULD NOT PERMIT TO FAIL.

2. MEDIA CARRIED NUMEROUS COMMUNIQUE FROM VARIOUS TOWNS, MILITARY UNITS, AND UNIONS, "REJOICING" OVER BANK NATIONALIZATIONS.

3. BANK OF LONDON AND SOUTH AMERICAN IS ONE OF FOREIGN-OWNED BANKS NOT NATIONALIZED AND AWAITING NEW LEGISLATION. WORKERS THERE ISSUED STATEMENT THAT ALTHOUGH THEY HAD NOT YET DETECTED ANY "INCORRECTNESS" IN BANK'S MANAGEMENT, THEY WERE ON ALERT DUE TO EXCESS OF DEPOSITS OVER WITHDRAWALS ON SATURDAY. WORKERS SAID THIS COULD BE ATTEMPT TO "SEEK REFUGE IN FOREIGN BANKS," DETRIMENTAL TO NATIONAL BANKS. THEY ALSO WARNED AGAINST UNHAMPERED TRANSFERS OF FUNDS, PARTICULARLY FOR MULTINATIONALS.

4. FOLLOWING LEADING BANKERS RELEASED FROM PRISON MARCH 15: MANUEL GOMES DO COUTO; JOSE HOLTREMAN ROQUETTE; CARLOS ANTONIO ESPIRITO SANTO SILVA DE MELLO; MAJUEL RICARDO ESPIRITO SANTO SILVA; JOSEPH TENREIRO THERIAGA (US CITIZEN); BERNARDO MANUEL ESPIRITO SANTO SILVA; JORGE AUGUSTO CAETANO DA SILVA JOSE DE MELLO. NONE OF ABOVE KNOWN TO HAVE BEEN QUESTIONED DURING THEIR ARREST. RELEASE DOCUMENT CONTAINS STATEMENT THAT ABOVE WERE DETAINED WITHOUT KNOWLEDGE OF COPCON. EMBASSY RECEIVED SEPARATE REPORT INDICATING THAT SOME OF ESPIRITO SANTO SILVA GROUP WERE DETAINED AND CARRIED TO PRISON BY BANK UNION MEMBERS ACTING ON THEIR OWN FOLLOWING ATTEMPTED COUP MARCH 11.

5. RELEASE OF OFFICIALS OF BANCO ESPIRITO SANTO E COMERCIAL DE LISBOA MAY BE ONLY TEMPORARY. DIARIO DE NOTICIAS REPORTED THE BANK'S WORKERS IN OPORTO HAVE UNCOVERED SERIOUS FRAUDS AND CREDIT EXTENSIONS TO "CONSPIRATORS." AT PRESS CONFERENCE IN OPORTO IT WAS CLAIMED THAT A FEW DAYS BEFORE SEPTEMBER 28, THE ORGANIZERS OF THE "SILENT MAJORITY" RALLY WERE GIVEN LINE OF CREDIT. ORGANIZERS INCLUDED LEADERS OF SUBSEQUENTLY-BANNED CONFIDENTIAL

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LIBERAL AND PROGRESS PARTIES. ALSO CHARGED WERE \$2.2 MILLION LOAN TO CDS, \$3 MILLION CREDIT TO LEADER OF PPD, AND COVERING OF \$9,000 CHECK WRITTEN BY MAJOR SANCHES OSORIO OF PDC.

6. THE POPULAR DEMOCRATIC PARTY (PPD) DENIED THE CHARGE THAT IT RECEIVED ILLEGAL CONTRIBUTIONS FROM ABROAD. THE PPD ASSERTED IT NEVER HAS HAD FOREIGN ASSISTANCE AND CALLED FOR AN

INVESTIGATION OF THE SOURCES OF FINANCING OF ALL POLITICAL PARTIES (LISBON 1470).

7. LEADERS OF THE BANK WORKERS' UNION CALLED FOR NATIONALIZATION OF FOREIGN TRADE, PRESUMABLY THROUGH THE CREATION OF A STATE TRADING AGENCY. OTHER DEMANDS INCLUDE NON-REIMBURSEMENT OF THE BANKS' MAJOR STOCKHOLDERS BECAUSE OF THEIR "INORDINATE PROFITS UNDER THE FASCIST DICTATORSHIP;" AND THE DENIAL OF BANK ACCESS TO PARTIES OF "REACTION." (COMMENT: A STATE TRADING COMPANY IS PROPOSED IN RECENTLY-PUBLISHED, BUT NOW PROBABLY ACADEMIC, ECONOMIC-SOCIAL PROGRAM. DESCRIPTION OF TRADING COMPANY IN PROGRAM IS VERY VAGUE.)

8. EMBASSY HAS RECEIVED INFORMATION INDICATING THAT THE CDS PARTY WAS ORGANIZED AT THE SUGGESTION OF GENERAL SPINOLA AND FOLLOWING A MEETING WHICH HE HELD IN MAY 1974 WITH A GROUP OF PORTUGUESE BANKERS. THIRTY-TWO MILLION DOLLARS REPORTEDLY WERE PLEDGED BY THE BANKERS TO THE CDS, OF WHICH ONLY \$400,000 WERE PAID IN.

9. COMMENT: A LARGE PORTION OF THE PUBLIC JUBILATION OVER THE BANK NATIONALIZATION IS IN REACTION TO THE BANKS' LONG DOMINANT ROLE IN PORTUGAL'S ECONOMIC AND POLITICAL LIFE.
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